
Commerce & Labor Committee

HB 1704

Brief Description: Addressing the termination, cancellation, or nonrenewal of franchises between new motor vehicle dealers and manufacturers.

Sponsors: Representatives Conway, Chandler, Wood and Santos.

<p style="text-align: center;">Brief Summary of Bill</p> <ul style="list-style-type: none">• Requires a motor vehicle manufacturer to pay specified sums to a motor vehicle dealer upon the termination, cancellation, or nonrenewal of a franchise.

Hearing Date: 2/6/09

Staff: Alison Hellberg (786-7152)

Background:

Many aspects of the franchise relationship between motor vehicle manufacturers and motor vehicle dealers are regulated by the Department of Licensing (Department). Prior to the termination, cancellation, or nonrenewal of a franchise, a manufacturer must give written notice to the Department and the dealer. The notice must state the intention to terminate, cancel, or not renew the franchise; the reasons for the termination, cancellation, or nonrenewal; and the effective date of the termination, cancellation, or nonrenewal. The notice must be given within a specified time period.

If the manufacturer terminates, cancels, or fails to renew a franchise, the manufacturer must pay the dealer:

- dealer cost plus any charges by the manufacturer for distribution, delivery, and taxes, less all allowances paid or credited to the dealer by the manufacturer, of unused, undamaged, and unsold new motor vehicles;
- dealer cost for all unused, undamaged, and unsold supplies, parts, and accessories in original packaging;

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- dealer cost for unused, undamaged, and unsold inventory;
- the fair market value of each undamaged sign owned by the new motor vehicle dealer that bears a common name, trade name, or trademark of the manufacturer;
- the fair market value of all equipment, furnishings, and special tools owned or leased by the new motor vehicle dealer that were acquired from the manufacturer or sources approved by the manufacturer; and
- the cost of transporting, handling, packing, and loading of new motor vehicles, supplies, parts, accessories, signs, special tools, equipment, and furnishings.

The manufacturer must pay the specified sums within 90 days after the tender of the property, if the dealer has clear title to the property and is in a position to convey that title to the manufacturer. To the extent the franchise agreement provides for payment or reimbursement to the dealer in excess of that specified in this section, the provisions of the franchise agreement will control.

Summary of Bill:

The manufacturer is required to pay specified sums to the dealer upon the termination, cancellation, or nonrenewal of a franchise regardless of who initiated it.

The manufacturer must pay the dealer the specified sums within 90 days after the termination, cancellation, or nonrenewal of the franchise if the dealer has clear title to the property, or can provide clear title to the property upon payment by the manufacturer, and is in a position to convey that title to the manufacturer.

Rules Authority: The bill does not address the rule-making powers of an agency.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill contains an emergency clause and takes effect immediately.